



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

COMMINGLING ORDER PLC-219-A

Dugan Production Corporation
P.O. Box 420
Farmington, New Mexico 87499-0420

Attention: Mr. John D. Roe

Dugan Production Corporation is hereby authorized to surface commingle water and gas production from wells it operates within the following pools and acreage – all within Township 30 North, Range 14 West, NMPM, San Juan County, New Mexico:

Harper Hill-Fruitland Sand Pictured Cliffs (Gas - 78160)

Section 10: S/2
Section 11: W/2
Section 13: All
Section 14: All
Section 15: S/2
Section 24: NW/4

Basin-Fruitland Coal (Gas - 71629)

Section 10: All
Section 11: W/2
Section 13: All
Section 14: All
Section 15: S/2

Basin-Dakota (Prorated Gas -71599)

Section 10: S/2
Section 13: W/2
Section 14: All
Section 24: W/2

It is our understanding that the Pinon Mesa Gathering System will consist of thirty-eight (38) wells located on the following-described eleven Federal leases. It is further our understanding that the interest ownership is not common between all of the wells.

Federal Lease Number

NM-628
NM-2555
NM-6899
NM-10561
NM-13213
NM-15272
NM-26052
NM-70298
NM-71716
SF-079070
SF-081231-B

Allocation gas meters shall be installed on each well to be commingled and regularly calibrated for accuracy. Each lease's gas sales, production, and BTU values shall be calculated using data collected from allocation rate meters, total CDP sales, lost gas, fuel gas, and periodic BTU tests. Compressor fuel gas usage shall be calculated for each well based on that well's ratio of the total of all the allocation meters feeding that compressor.

Liquid hydrocarbons shall not be commingled. The measurement and sales point for gas production (CDP gas sales meter) shall be located off-lease at GulfTerra Field Service's gathering system located in the NE/4 NE/4 of Section 24, Township 30 North, Range 14 West, NMPM.

Your request for an exception to Division Rule No. 303.B.(4)(3)(iii) regarding notice to interest owners for future additions to the Pinon Mesa Gas Gathering System cannot be approved administratively. Any exception to this rule must be approved at a hearing before a Division examiner. Your request in this regard is therefore **denied**.

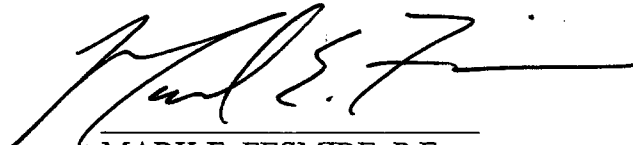
NOTE: This installation shall be installed and operated in accordance with Division Rules and Regulations applicable to natural gas production and surface commingling.

It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the supervisor of the Aztec District office prior to implementation of commingling operations.

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DONE at Santa Fe, New Mexico, on this 13th day of September, 2004.



MARK E. FESMIRE, P.E.
Division Director

MEF/drc

cc: Oil Conservation Division - Aztec
Bureau of Land Management – Farmington